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**S E C R E T** 051105Z APR 75 STAFF

**CIA INTERNAL  
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CITE                     

TO: IMMEDIATE DIRECTOR INFO CAN THO, BIEN HOA.

INTEL

REFS: A.                                     

B.                                     

1. REF A REPORTED THE RESIGNATION OF PRIME MINISTER  
TRAN THIEN KHIEM AND THE PROSPECTIVE APPOINTMENT OF NGUYEN  
BA CAN AS NEW PRIME MINISTER. REF B WAS TRANSLATION OF  
PRESIDENT THIEU'S SPEECH AT 2200 HOURS SAIGON TIME 4 APRIL  
IN WHICH HE ANNOUNCED THE CHANGE IN PRIME MINISTERS.

2. IN STATION OPINION THIEU'S ACTIONS ON 4 APRIL  
ARE IN NATURE OF GRASPING FOR A STRAW. LOWER HOUSE  
CHAIRMAN CAN, NOW PRIME MINISTER DESIGNATE, IS A WILY  
POLITICIAN AND AN INTELLIGENT AND THOUGHTFUL INDIVIDUAL.  
WE HAVE NO DOUBT THAT IN NORMAL TIMES HE WOULD HAVE MADE  
A GOOD PRIME MINISTER BUT UNDER THE PRESENT CIRCUMSTANCES  
WE DO NOT BELIEVE THAT HE CAN DELIVER IN ANY OF THE AREAS  
WHICH WE VIEW AS BEING OF PRIMARY CONCERN, AS FOLLOWS:  
FORM A BROADLY BASED GOVERNMENT OF NATIONAL UNITY, REVERSE

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THE UNFAVORABLE MILITARY SITUATION LARGELY ATTRIBUTABLE TO POOR LEADERSHIP AND THE POOR MORALE OF THE ARMY, AND COMMENCE USEFUL NEGOTIATIONS WITH THE COMMUNISTS.

3. THIEU'S SPEECH ON 4 APRIL WAS A GOOD FIGHTING SPEECH AND WOULD HAVE CHEERED UP THE NATIONALIST SIDE IF HE HAD BEEN TRYING TO EXPLAIN FOR EXAMPLE THE LOSS OF PHUOC LONG PROVINCE. IN FACT LAST NIGHT'S SPEECH IN JANUARY MIGHT HAVE BEEN QUITE USEFUL. AFTER THE DEBACLE IN THE NORTHERN TWO REGIONS, HOWEVER, THIEU'S BRAVADO HAD A HOLLOW RING. HIS STATEMENT THAT THERE CAN BE "NO AGREEMENT BETWEEN THE COMMUNISTS AND HIMSELF"WHILE CERTAINLY TRUE RAISES THE QUESTION WHAT IS TO HAPPEN TO THE SOUTH VIETNAMESE NATION IN THE ABSENCE OF AN AGREEMENT. HIS OFFER TO COMMENCE NEGOTIATIONS WITH THE OTHER SIDE ON BASIS OF THE PARIS AGREEMENT CANNOT BE TAKEN SERIOUSLY AND CERTAINLY WILL NOT BE ACCEPTED BY THE OTHER SIDE. IN SUM, IT WOULD SEEM THAT THIEU HAS DEPARTED FROM REALITY, AN IMPRESSION ALREADY GAINED BY MESSRS. SHACKLEY AND POLGAR DURING THEIR 2 APRIL SESSION WITH THE PRESIDENT.

4. ON BASIS OF THE DEVELOPMENTS OF THE LAST 24

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HOURS WE BELIEVE THAT THIEU'S REMOVAL BY A COMBINATION OF FORCES, INCLUDING FORMER PRIME MINISTER KHIEM WHO ALSO HAPPENS TO BE THE ARVN'S SENIOR GENERAL, IS INCREASINGLY LIKELY DESPITE THE AGREEMENT OF ALL CONCERNED THAT ANY UNCONSTITUTIONAL ACTION WOULD FURTHER INCREASE THE GRAVITY OF THE PROBLEMS NOW CONFRONTING SOUTH VIETNAM. HOWEVER, IF THIEU REFUSES TO PERMIT A CONSTITUTIONAL AND FACE-SAVING SOLUTION, THE GENERALS, SUPPORTED BY PUBLIC OPINION, AND REGARDING THE UNANIMOUS VOTE OF THE SENATE ON 2 APRIL AND SAIGON ARCHBISHOP BINH'S LETTER OF 3 APRIL, BOTH OF WHICH CALLED FOR A CHANGE OF LEADERSHIP AS THEIR MORAL JUSTIFICATION, WILL CERTAINLY MOVE AND IT IS JUST A QUESTION OF TIME.

5. FVS 34,165 REPORTED THEN PRIME MINISTER KHIEM'S PLAN TO TAKE OVER THE POWER OF GOVERNMENT FROM PRESIDENT THIEU. THIS PLAN WAS TO HAVE BEEN SURFACED TO THIEU SHORTLY AFTER NOON, 4 APRIL. KHIEM DID MEET WITH THE PRESIDENT BUT THE LATTER, WITHOUT HEARING OUT KHIEM, SUGGESTED THAT THE CABINET ACCEPT RESPONSIBILITY FOR THE CURRENT SITUATION AND IN EFFECT ASKED KHIEM TO STEP DOWN.

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THIS, OBVIOUSLY, IS NOT THE END OF THE STORY, WE HAVE RELIABLE INFORMATION THAT AFTER HIS RESIGNATION, FORMER PRIME MINISTER KHIEM DID NOT SEEM TO BE UPSET BY THE TURN OF EVENTS AND IN TALKS WITH HIS ASSOCIATES, AFTER RETURNING FROM THE PALACE, HE SEEMED BUOYANT AND POSITIVE. HE GAVE THE IMPRESSION THAT HE HAD AN ACE UP HIS SLEEVE AND WAS TALKING IN TERMS OF MILITARY PLANNING AND CONSIDERATION OF SPECIFIC INDIVIDUALS FOR SENIOR MILITARY ASSIGNMENTS.

6. DURING 2 APRIL MEETING OF MESSRS. SHACKLEY AND POLGAR, PRESIDENT THIEU STATED THAT "FOR THE MOMENT" HE WAS PREPARED TO PURSUE THE OPTION OF HAVING PRIME MINISTER KHIEM CONTINUE HIS ATTEMPTS TO FORM A "WAR CABINET" OF NATIONAL UNION BUT THAT IF KHIEM COULD NOT FORM A NEW GOVERNMENT HE WAS WILLING TO ACCEPT A NEW PRIME MINISTER AND SAID THAT HE RECOGNIZED THAT THERE WAS A NEED FOR MOVING RAPIDLY.

7. THE PRESIDENT HAS NOW MADE HIS MOVE. IF PRIME MINISTER-DESIGNATE NGUYEN BA CAN PUT TOGETHER A BROADLY BASED ANTI-COMMUNIST COALITION GOVERNMENT WITHIN THE NEXT WEEK OR SO, THEN PRESIDENT THIEU HAS GAINED A BREATHING SPELL

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AND MAY BE ABLE TO RE-ESTABLISH HIS STANDING WITH THE ARMED  
FORCES. ON BALANCE, HOWEVER, <sup>would</sup> ~~we~~ CONSIDER SUCH A DEVELOPMENT  
UNLIKELY, EVEN THOUGH THERE HAS BEEN NO PARTICULAR  
ADDITIONAL DETERIORATION OF THE MILITARY SITUATION DURING  
THE LAST THREE DAYS, AND IN FACT THERE HAVE BEEN SOME POSITIVE  
DEVELOPMENTS, WE PERCEIVE GREAT AND EVEN RISING DISSATIS-  
FACTION AMONG THE MILITARY WITH RESPECT TO THIEU'S HANDLING  
OF THE NATIONS'S AFFAIRS.

8. WHILE THE SUBSTANCE OF ABOVE WAS DISCUSSED WITH  
THE AMBASSADOR, THERE WAS NO OPPORTUNITY TO EFFECT EMBASSY  
COORDINATION, THEREFORE ABOVE SHOULD NOT BE REGARDED AS  
A SITUATION APPRAISAL BUT USED MERELY AS BACKGROUND  
INFORMATION OF POSSIBLE USE TO AGENCY OFFICIALS. E2 IMPDET